

Results Presentation

First
Half

July 24
/ 2019



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Agenda

Highlights of the Period

Highlights of the period

Net Profit grows 16.6% to EUR 1,644 M...

EBITDA totals EUR 4,990 M, up 12.5%

Operating Cash Flow grows 11.1% to EUR 3,881 M

Net Investment increases by 23%, up to EUR 3,054 M

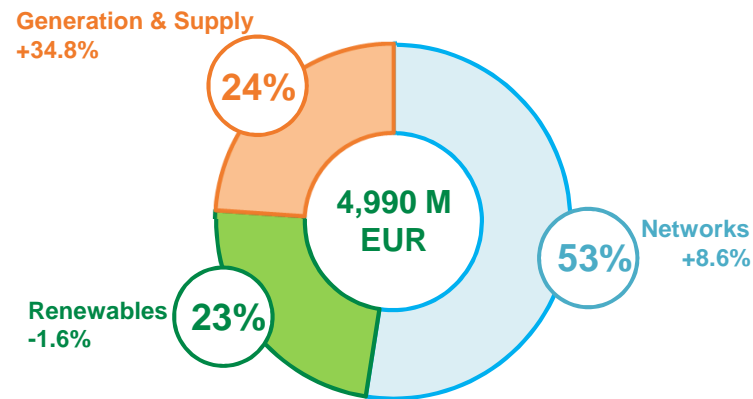
Successful Neoenergia IPO in Brazil

...despite the lower contribution from hydro in Spain (EUR 125 M at EBITDA)

EBITDA

EBITDA reaches EUR 4,990 (+12.5%)...

EBITDA by business



Operating Highlights

Networks

- Brazil: tariff increases, higher demand and efficiencies
- US: higher tariffs and lower costs (in IFRS)



Renewables

- Higher prices and higher offshore production
- New installed capacity in Mexico, Brazil and the US (+1.4 GW y-o-y)
- Lower hydro production



Generation and Supply

- Better performance in Spain and Mexico
- Significantly lower contribution in the UK (lower margins and demand)



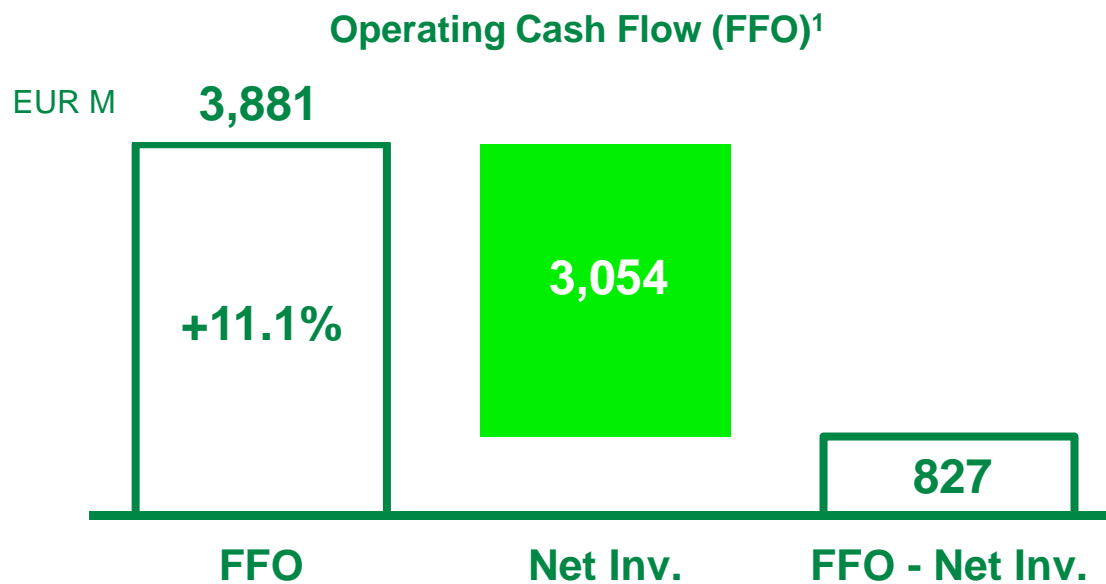
Fx

- Positive evolution of USD and GBP, more than compensates BRL negative evolution



Operating Cash Flow

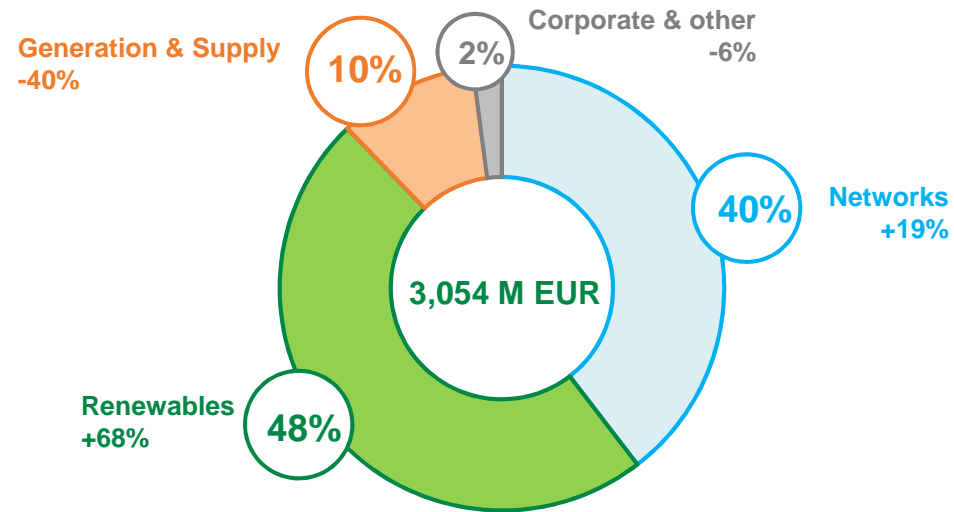
Operating Cash Flow up 11.1%, to EUR 3,881 M



¹ FFO = Net Profit + Minority Results + Amortiz.&Prov. – Equity Income – Net Non-Recurring Results + Fin. Prov.+ Goodwill deduction + Dividends from companies accounted via equity - /+ reversion of extraordinary tax provision / Investment net of grants and ex-capitalised costs.








Net Investments

Net Investments increases 23.2%, up to EUR 3,054 M...



Net Investments: Generation capacity

...to add 5.25 GW of new capacity in FY 2019,
increasing our installed capacity by 11% in the year

		Q1-Q2 2019	Q3-Q4 2019	TOTAL 2019
Offshore		28	448	476
Onshore		628	362	990
		129	142	271
			68	68
	Others		4	4
Solar PV		36	237	273
Hydro		367	244	611
Total Renewables		1,188	1,506	2,694
Combined cycle & cogeneration			2,556	2,556
TOTAL		1,188	4,062	5,250

Accelerating investments to increase current target of 13 GW new capacity by 2022

Regulation Spain

Spain is moving towards a more predictable and stable regulatory framework

**European leadership in emissions reduction:
Net Zero Emissions by 2050 vision**

**National Integrated Energy & Climate Plan:
positive assessment by the European Commission**

Restitution of competences to the CNMC

**Predictable methodology for the remuneration of electricity networks
based on RAB and WACC**

Networks Spain

CNMC draft electricity networks remuneration: in line with previous announcements...

...with
positive aspects:

Predictability in the long term (six years)

Harmonization of electricity and gas remuneration

...but
there is room for improvement:

Insufficient rate of return
to reach the National Integrated Energy & Climate Plan goals

Incentives to quality, losses & customer service

Need to incentivize electrification in order to reach decarbonisation targets

Neoenergia IPO Results

Brazil's largest energy sector placement since 2000...

...5 times
oversubscribed...

...with a
diversified
international
shareholder
base...

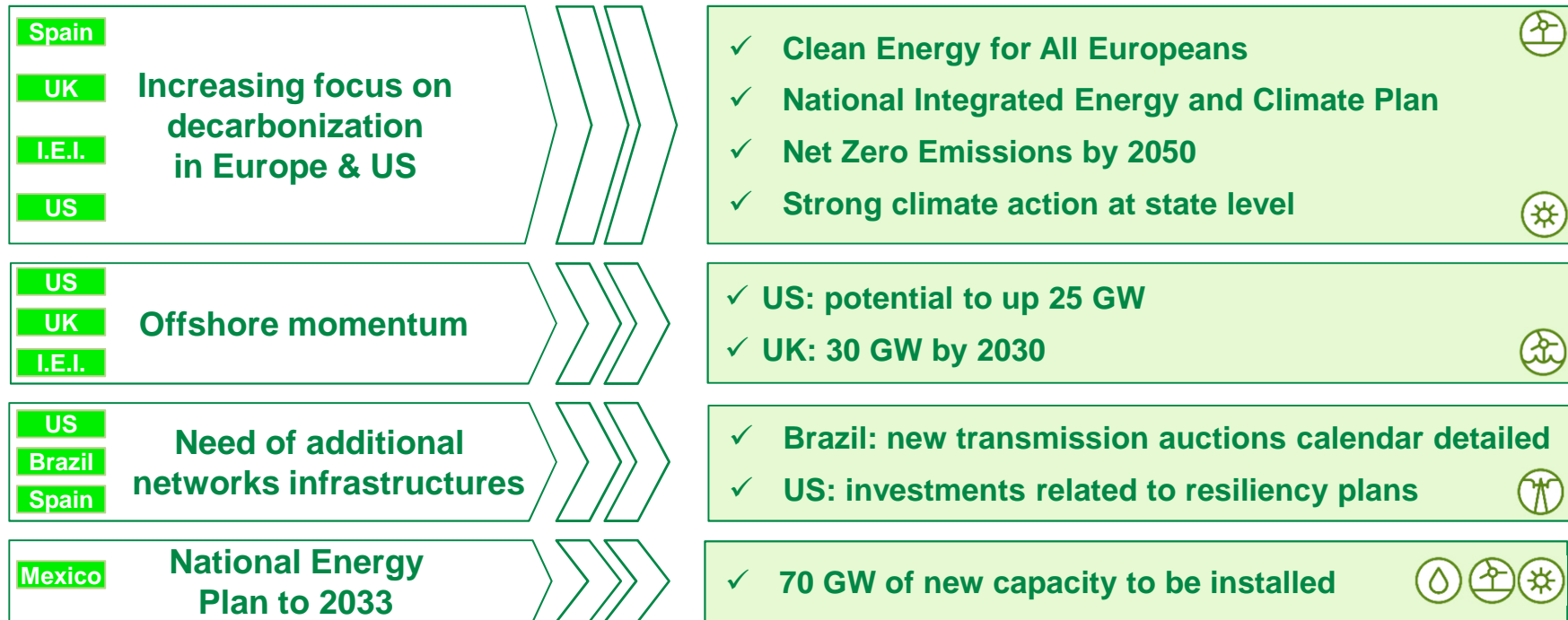
...an outstanding
share
performance
since listed:
+13.4%...

...reaching a
current
market cap of
close to 5,100
million euros

The market values positively Neoenergia's strategy and delivery

New opportunities

The energy transition constitutes a historic opportunity:



And as a consequence, Iberdrola is accelerating its investment plan

Agenda

Analysis of Results

Income Statement / Group

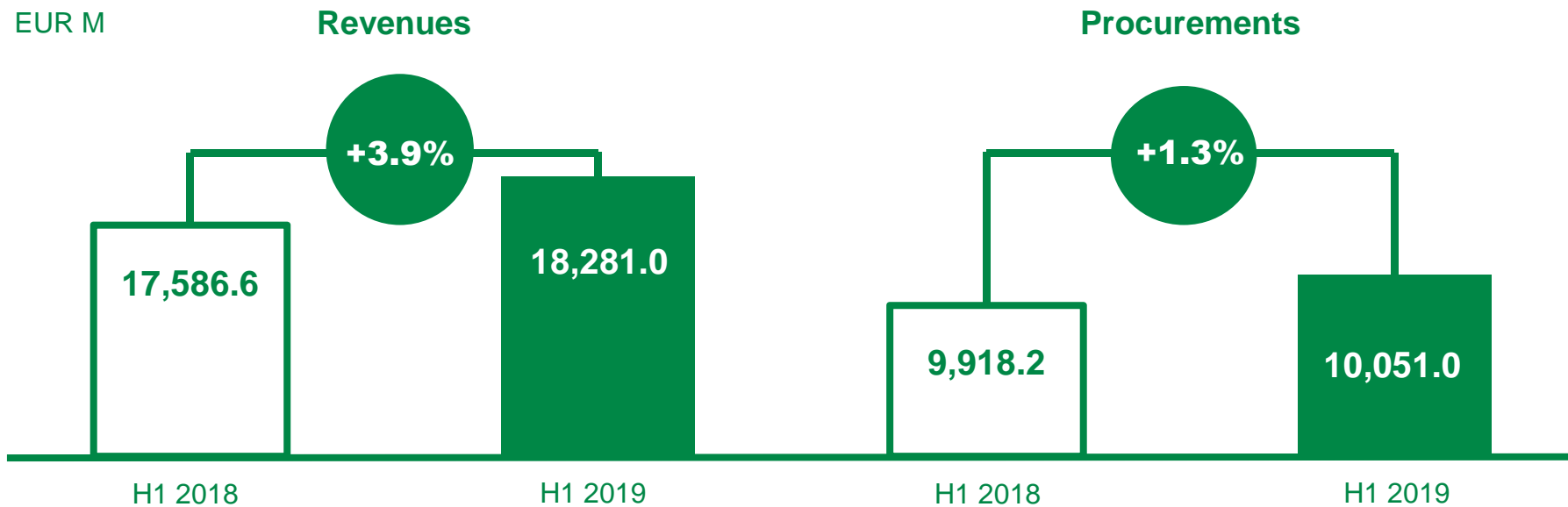
Reported Net Profit up 16.6%, to EUR 1,644.4 M. Fx as follows USD +7.1%, GBP +0.7% and BRL -5.3%

EUR M	H1 2018	H1 2019	Var.	%
Revenues	17,586.6	18,281.0	+694.4	+3.9
Gross Margin	7,668.4	8,230.0	+561.6	+7.3
Net Operating Expenses	-2,111.3	-2,145.8	-34.5	+1.6
Levies	-1,121.3	- 1,094.5	+26.8	-2.4
EBITDA	4,435.9	4,989.8	+553.9	+12.5
EBIT	2,527.3	2,990.7	+463.5	+18.3
Net Financial Expenses	-563.1	- 610.9	-47.8	+8.5
Non Recurring Results	22.0	6.8	-15.2	-68.9
Taxes and Minorities	-567.9	-734.0	-166.1	+29.2
Reported Net Profit	1,410.5	1,644.4	+233.9	+16.6
Operating Cash Flow	3,493.5	3,880.9	+387.4	+11.1

IFRS 16 new accounting treatment for operating leases: higher debt (EUR 399 M in H1 2019), higher depreciation (EUR -32 M) and Financial Expenses (EUR -6 M), and lower Net Operating Expenses (EUR +33 M). Net Profit impact of EUR -2 M.

Gross Margin / Group

Gross Margin up 7.3%, to EUR 8,230.0 M, and +5.8% excluding fx impact ...



... **Revenues** grew 3.9% (EUR 18,281.0 M) and **Procurements** +1.3% (EUR 10,051.0 M)

Net Operating Expenses / Group

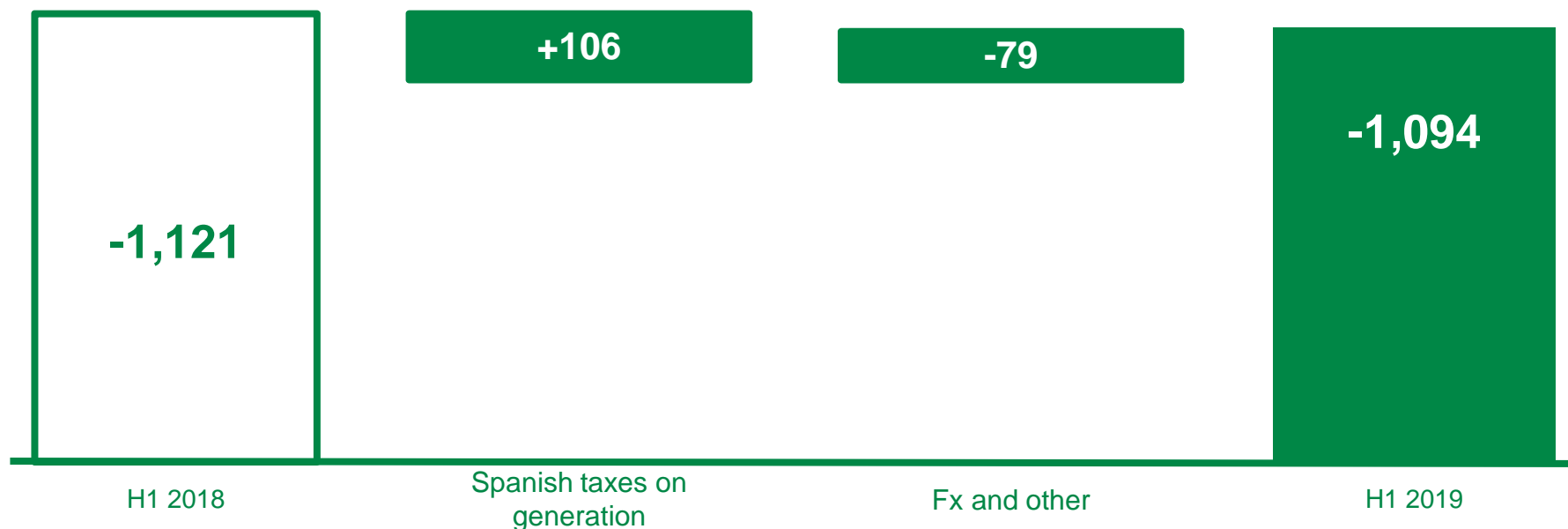
Net Operating Expenses up 1.6%, to EUR 2,145.8 M ...

	EUR M			
	Net Operating Expenses			
	H1 2018	H1 2019	vs H1 2018 (%)	vs H1 2018 (%) (excluding fx)
Net Personnel Expenses	-1,043.9	-1,083.4	+3.8%	+2.3%
Net External Services	-1,067.4	-1,062.4	-0.5%	-2.0%
Total Net Op. Expenses	-2,111.3	-2,145.8	+1.6%	+0.1%

... and flat excluding fx impact

Levies / Group

Levies fall 2.4%, to EUR 1,094.5 M, as a consequence of ...

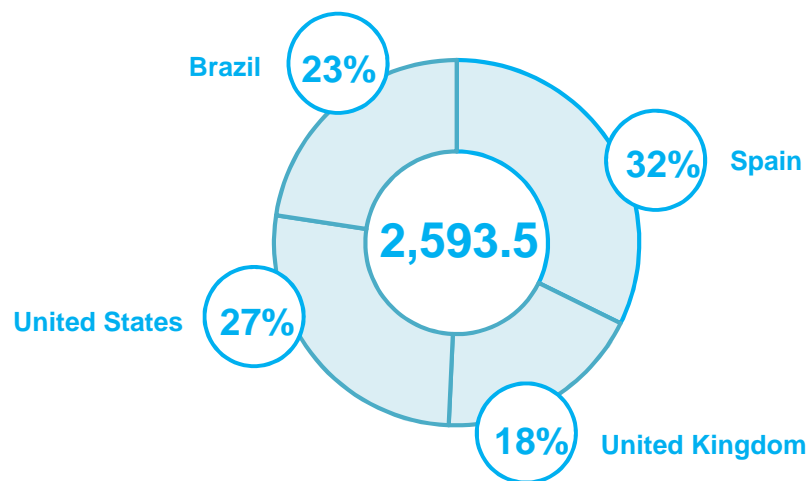


.... lower taxes in Spain, due to lower hydro production and the suspension of 7% generation tax in Q1, in effect again from April 2019

Results by Business / Networks

Networks EBITDA up 8.6%, to EUR 2,593.5 M, ...

EBITDA by Geography (%)



Key Figures (EUR M)

	H1 2018	H1 2019	vs H1 2018
Gross Margin	3,873.5	4,144.5	+271.0 (+7.0%)
Net Op. Exp.	-1,071.1	-1,094.6	-23.6 (+2.2%)
Levies	-414.6	-456.3	-41.7 (+10.1%)
EBITDA	2,387.8	2,593.5	+205.7 (+8.6%)

... driven by US and Brazil

Results by Business / Networks

Spain EBITDA EUR 836.6 M (EUR -57.1 M; -6.4%), due to positive one-off accounted for in 2018 corresponding to ICAs* (EUR +53 M) and efficiency programs implemented in H1'19 that increase NOE**

US EBITDA IFRS USD 782.0 M (USD +75.5 M; +10.7%), driven by:
+ Higher contribution from rate plans
+ Recovery of storm costs from previous years and lower expenses due to fewer storms vs 2018
- Tariff adjustments corresponding to tax reform, in effect under IFRS from Q3'18, compensated by lower taxes. Neutral at Net Income level

Brazil EBITDA BRL 2,553.4 M (BRL +676.9 M; +36.1%), with positive tariff revisions from May 2018, increasing contribution from transmission assets, positive impact from efficiencies and increase in demand (5.2%)

UK EBITDA GBP 417.2 M (GBP +17.3 M; +4.3%), with higher revenues both in transmission and distribution as a consequence of the growing asset base due to investments

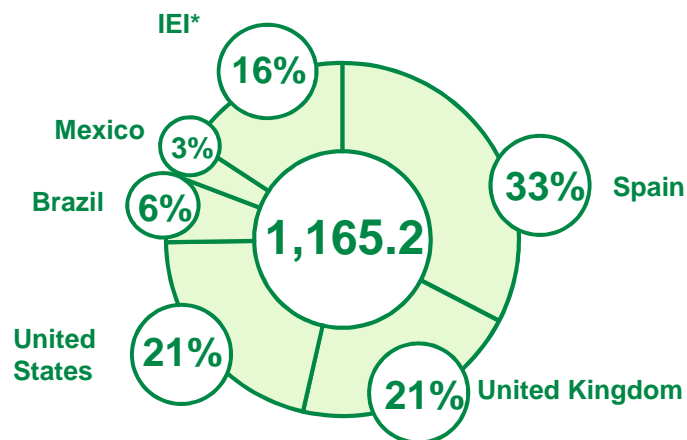
* Instalaciones Cedidas de Abonados / Assets given by customers

** Net Operating Expenses

Results by Business / Renewables

Renewables EBITDA falls 1.6%, to EUR 1,165.2 M, ...

EBITDA by Geography (%)



Key Figures (EUR M)

	H1 2018	H1 2019	vs H1 2018
Gross Margin	1,823.5	1,749.9	-73.7 (-4.0%)
Net Op. Exp.	-365.5	-378.1	-12.6 (+3.5%)
Levies	-273.9	-206.6	+67.3 (-24.6%)
EBITDA	1,184.1	1,165.2	-19.0 (-1.6%)

... as UK, Latam and offshore contribution compensates lower production in Spain

*Iberdrola Energía Internacional, formerly RoW

Results by Business / Renewables

Spain EBITDA EUR 380.0 M (EUR -110.8 M; -22.6%), as a consequence of lower output (-27.6%), driven by hydro (-45.1%) and wind (-8.3%), partially compensated by lower taxes

US EBITDA USD 278.2 M (USD -55.3 M; -16.6%), due to lower output (-6.1%) and lower prices

UK EBITDA GBP 213.4 M (GBP +8.2 M; +4.0%), as increased prices more than compensate lower wind output (-10.5%)

Brazil EBITDA BRL 308.1 M (BRL +54.6 M; +21.5%), with higher output (+12.1%), mainly as a consequence of new hydro capacity in operation (Baixo Iguaçu, 350 MW*), and cost containment

Mexico EBITDA USD 45.2 M (USD +24.9 M; n/a), as a consequence of higher output (+68.9%), due to increasing average operating PV capacity (270 MW)

IEI** EBITDA EUR 183.5 M (EUR +77.6 M; +73.2%) due to German offshore contribution

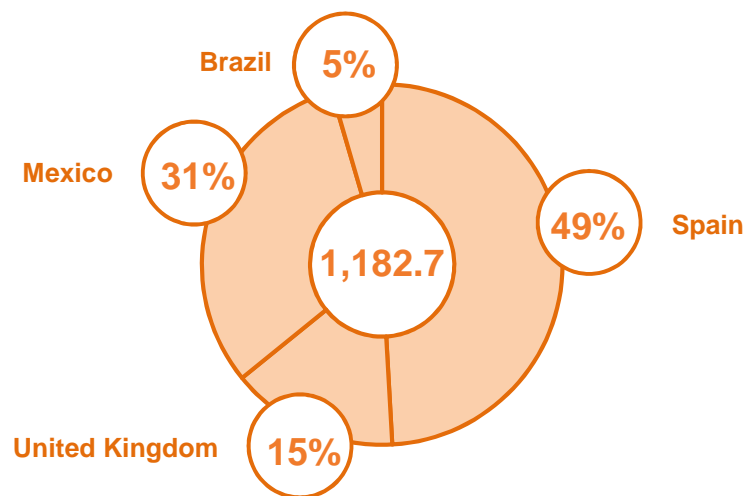
* Total installed capacity

** Iberdrola Energía Internacional, formerly RoW

Results by Business / Generation and Supply

Generation & Supply EBITDA up 34.8% to EUR 1,182.7 M, ...

EBITDA by Geography (%)



Key Figures (EUR M)

	H1 2018	H1 2019	vs H1 2018
Gross Margin	1,951.7	2,327.3	+375.6 (+19.2%)
Net Op. Exp.	-648.4	-709.5	-61.2 (+9.4%)
Levies	-425.7	-435.1	-9.3 (+2.2%)
EBITDA	877.6	1,182.7	+305.1 (+34.8%)

... driven by Spain and Mexico

Results by Business / Generation and Supply

Spain **EBITDA EUR 753.6 M (EUR +346.0 M; +84.9%)**

- Higher Production: 17,896 GWh (+24.7%)
 - Revenues increase in supply
 - LNG contracts sale (EUR +89 M)
-

Mexico **EBITDA USD 407.6 M (USD +108.6 M; +36.3%):** Higher Sales driven by production increase (+22.7%), due to new installed capacity in 2018 with full contribution in 2019

UK **EBITDA GBP 48.8 M (GBP -117.0 M; -70.6%):** caused by lower margins (-16.1% electricity, -16.5% gas) and lower sales (-10% electricity, -11% gas)

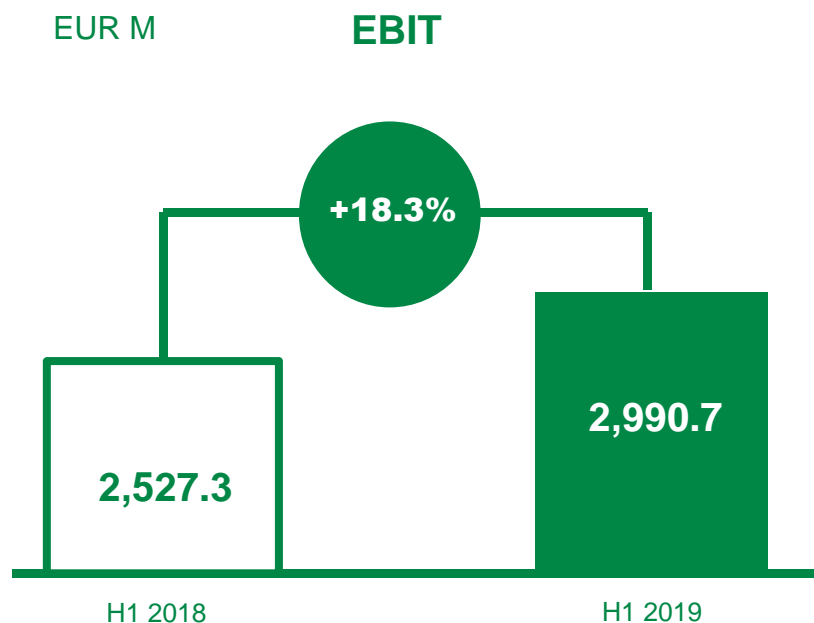
Brazil **EBITDA BRL 82.6 M (BRL -101.5 M; -55.1%):** supply business affected by one-off effect (BRL -62 M)

IEI* **EBITDA EUR -6.8 M (EUR +3.7 M; +35.1%):** improving but still affected by initial development costs

* Iberdrola Energía Internacional, formerly RoW

EBIT / Group

Group **EBIT** up 18.3%, to EUR 2,990.7 M



D&A and Provisions

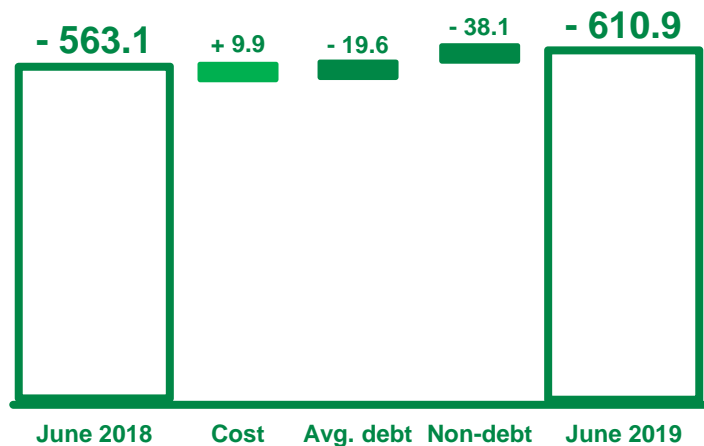
	H1 2018	H1 2019	vs H1 2018 (%)
D & A	-1,757.2	-1,821.0	+3.6%
Provisions	-151.4	-178.0	+17.6%
TOTAL	-1,908.6	-1,999.0	+4.7%

D&A and Provisions up 4.7% due to higher asset base and activity and IFRS 16 impact, partially compensated by lower nuclear depreciation (EUR +56 M)

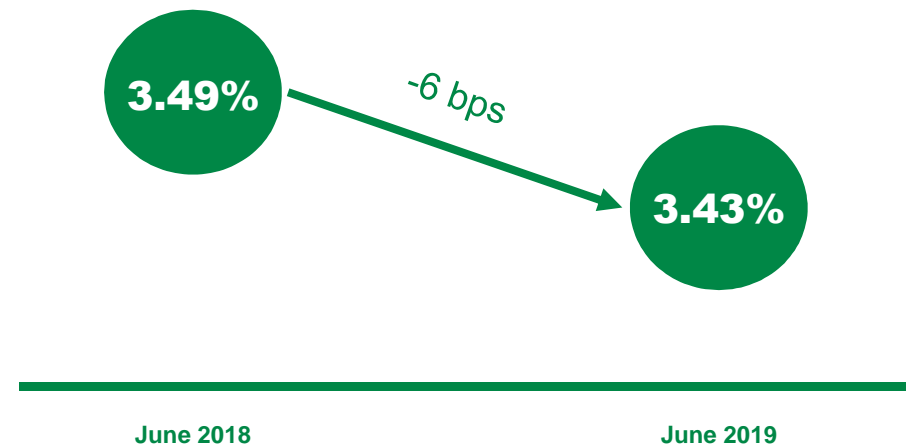
Net Financial Expenses / Group

Net Financial Expenses up EUR 47.8 M, to EUR 610.9 M ...

Net Financial Exp. evolution (EUR M)



Cost of Debt



... due to higher average debt balance and fx hedges, despite lower cost

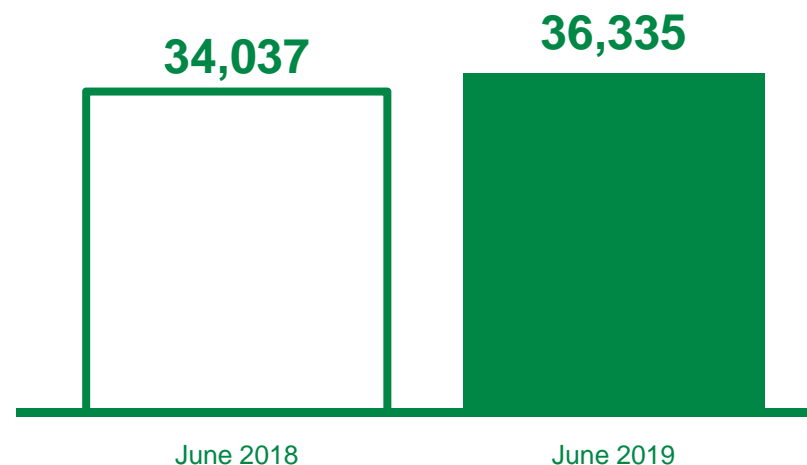
Net Debt / Group

Credit metrics improve despite Net Debt growth due to IFRS 16 (EUR 399 M), fx (EUR 284 M) and higher investments

Pro forma adjusted credit metrics**

	June 2018*	June 2019
Net Debt / EBITDA	4.1x	3.7x
FFO / Net Debt	20.2%	21.2%
RCF / Net Debt	17.7%	20.1%
Leverage	43.7%	44.5%

Net Debt** (EUR M)



Net Debt to be reduced in H2'19 as a consequence of the asset rotation plan in progress

* June 2018: Pro forma credit metrics exclude provisions for efficiency plans

** Adjusted by market value of treasury stock cumulative hedges (EUR 30.7 M at June 2018 and EUR 457.2 M at June 2019)

H1 2019 Financing activity

EUR 5.5 Bn equivalent of **new financing**: EUR 4 Bn new debt, EUR 1.5 Bn credit lines

	Amount	% Green / Sustainable	Average life	Cost vs 2018
New Debt	EUR 2,100 M	71%	7.1 Y	-59 bps*
	USD 880 M	85%	10.0 Y	= bps**
	BRL4,887 M	27%	7.7 Y	-56 bps
TOTAL	EUR 4.0 bn (equivalent)	EUR 2.5 bn (equivalent)		
Credit Lines	EUR 1,500 M	100%	5 Y + 1 + 1	-2.5 bps
TOTAL	EUR 5.5 bn (equivalent)	EUR 4.0 bn (equivalent)		

* Excluding Hybrids
** Excluding TEIs

World leading private Group in green bonds outstanding

Net Profit / Group

Profit Before Tax grows 20.2% and **Reported Net Profit** up 16.6%, to EUR 1,644.4 M, ...

EUR M	H1 2018	H1 2019	vs H1 2018 (%)
PBT	1,978.4	2,378.4	+20.2%
- Corporate Tax	-412.3	-545.5	+32.3%
- Minorities	-155.6	-188.5	+21.1%
Reported Net Profit	1,410.5	1,644.4	+16.6%

... as **Corporate tax rate** normalizes reaching 22.9%, vs 20.8% in H1 2018, that was positively affected by final adjustments related to US tax reform

Agenda

Conclusions

Outlook 2019

Improving 2019 net profit growth outlook
from high single-digit to low double digit...

...sustained
on H1 strong results...



... new capacity
&
cost savings
in H2 ...

...even improving the strong results achieved in H2 2018